Concord Pacific Group Inc.

Creating Communities. Creating Value.

1999 Annual Report

Concord Pacific Group Inc. is Canada's leading developer of urban, master-planned residential communities. Concord Pacific's two significant assets are the emerging communities of Concord Pacific Place in Vancouver, Canada's largest residential project currently under development, and CityPlace in Toronto, the largest residential project ever planned in the history of the city.

Concord Pacific's Vancouver Holdings include:

- Work in progress on the MarinaSide and QuayWest waterfront projects at Concord Pacific Place on the former Expo 86 site representing a total of 803,779 buildable square feet (756 units);
- Development land with zoning in place to permit construction of 580,075 buildable square feet of residential (488 units) and retail space;
- Development land at Concord Pacific Place consisting of 5.3 million square feet of residential and commercial space.

Concord Pacific's Toronto Holdings

- CityPlace Central, comprised of 11.8 acres of serviced land, zoned for 3.1 million square feet of development;
- CityPlace West, comprised of 30.5 acres of unserviced land, zoned for 2.3 million square feet of development.

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Planning Communities... then building them.

A Message from Terence Hui, President & CEO

Concord Pacific is bringing vibrant new urban neighbourhoods to life in the downtown core of Canada's two major cities. Guided by our vision of creating complete urban communities – and in turn, creating value for our shareholders – we continue to employ our unique advantage of developing master-planned communities giving Concord Pacific the edge over single site developers.

Today, our Vancouver development is recognized worldwide as a remarkable achievement in urban planning. Architects, developers, and city planners from around the globe visit Concord Pacific Place to see the development of a successful community.

Concord Pacific has made significant progress in 1999. Highlights of our accomplishments include:

- Consolidation of land holdings;
- Continued marketing success; and
- Leading the establishment of digital communities.

Consolidation of Holdings

During 1999, the Company consolidated all ownership interests in Vancouver at Concord Pacific Place and in Toronto at CityPlace, under the umbrella of Concord Pacific Group Inc. The total value of the acquisition was approximately $125 million, inclusive of debt of approximately $105 million relating to the properties that were acquired. Of this debt, approximately $20 million relates to CityPlace, and approximately $85 million relates to the properties at Concord Pacific Place. The Company is not liable for the Concord Pacific Place debt. Consequently, the assets and liabilities that were acquired relating to Concord Pacific Place have not been consolidated with Concord Pacific Group Inc. The acquisition provides a long-term supply of development land for the Company that will allow for maximum flexibility in development timing. Concord Pacific is securely positioned to enjoy the full benefits from its two premier residential assets.

Continued Marketing Success

Concord Pacific has learned from experience how to build a community from scratch. Over the last 10 years, we have successfully developed, marketed and delivered over 3,000 residential units on the former Expo 86 lands in downtown Vancouver. We have also built roads, parks, a seawalk, a community centre, and two daycare facilities.

The success of our Vancouver community has made Concord Pacific the market leader in pre-sell high rise condominiums. Now, our experienced and disciplined management team is picking up the pace – launching the largest residential development in Toronto's history, while continuing the development of the Vancouver community.

Our CityPlace development, located on former CN Rail lands just west of Toronto's downtown core, is showing strong results. Our first project, Matrix, consisting of 642 units, virtually sold out during its grand opening weekend. Construction of Matrix started late in 1999. Our second project, Apex, consisting of 637 units, is currently pre-selling and is expected to be well received by the market.

Concord Pacific has made significant progress in 1999. Highlights of our accomplishments include: consolidation of land holdings; continued marketing success; and leading the establishment of digital communities.

Planning Communities . . . then building them.

A Message from Terence Hui, President & CEO

In Vancouver, we are making steady progress in spite of a relatively soft housing market and economic climate in British Columbia. Concord Pacific Place has now achieved critical mass. Anchored by restaurants, retailers and services, the Concord Pacific Place neighbourhood has become a destination community attracting visitors and purchasers from all over the Greater Vancouver area. Currently, we are completing construction of the 362 unit MarinaSide project, and are beginning work on the new QuayWest project.

The Digital Difference

Concord Pacific's unique development model is building complete communities that combine the vitality, cultural attractions and social amenities of city life. Integrated into the model, are advanced digital services that are years ahead of our customers' expectations – services that will enhance their home and work environments, and are capable of strengthening their sense of community.

Concord Pacific created Canada's first fiber optic community in Vancouver at Concord Pacific Place; today, we are taking that experience to the next level by making "The Digital Neighbourhood" a reality in Toronto. Working with BCT.Telus Communications Inc., Canada's second largest telecommunications company, Concord Pacific is incorporating the most advanced digital infrastructure available into the development of CityPlace. With the fastest current residential Internet service in Canada, and an advanced Intranet network providing high-speed access to information services and e-commerce applications, CityPlace is designed to be the premier model for residential, technology-based neighbourhoods. "The Digital Neighbourhood" represents a compelling competitive advantage for Concord Pacific's long-term success.

Outlook

With two projects underway that will reshape the skyline of two of Canada's most important cities, Concord Pacific is recognized as the market leader for large scale developments. We have demonstrated that we can build entire communities, not just buildings. Our team is committed to complete these communities to the highest standards over the next decade and looks forward to applying our experience to new opportunities in other locales.

As we move forward and expand on the Concord development model, our success will continue to flow from the people of Concord Pacific. I would like to express thanks to the staff, management, and Board of Directors for their continuing contributions to the company's success.

Terence Hui, President & CEO

The Concord Development Model

People and Process Make the Difference.

Concord Pacific has created a unique development model. Our six step process is designed to create value at every stage of the development process. We create communities and, in taking this long-term perspective, maximize shareholder value.

But our model involves more than just a well defined process. The heart of our success is the people who make it happen – our employees and our strategic partners who believe that they are making a difference in the communities in which we operate.

The Best Locations

Our Land Acquisition team searches for suitable tracts of land – large enough to build a multi-phase community and close to the downtown core, shopping and restaurants - with easy access to recreational and cultural facilities. They work with city officials to help visualize the buildings and amenities that can realize the highest value and access the best use of a specific piece of land.

A Vision for a Community

Concord Pacific's Development group works in conjunction with our Design and Marketing groups, a team of world class architects, engineers and other consultants to develop a master plan for the new neighbourhood. The Development team then works closely with local government and the community to negotiate the zoning necessary to make our neighbourhood vision a reality.

Community Infrastructure

Once zoning is complete, the Development group arranges for the construction of the community infrastructure – roads, sewers, and state-of-the-art telecommunications and services. The plans for parks, childcare facilities and community centres are finalized and construction schedules are established.

Marketing the Vision

The Concord Pacific Marketing team is second to none in creating awareness and a sense of community for projects that are underway. Our experience in "branding" our communities results in each phase of our projects consistently selling out before construction completes.

World Class Construction

On time delivery of the highest quality construction is critical to the success of our communities. That is why Concord Pacific has an in-house Project Management group. They ensure that all of our buildings meet our residents' expectations, employing the most advanced technology and building techniques available.

Customer Satisfaction

Concord Pacific provides the most comprehensive long-term warranties in the industry to our customers. We do this because we know that our buildings have been constructed to the highest standards. Residents of our communities can rest assured that they will be satisfied with their purchase for the long term.

Land Acquisition

Community Master Planning

Infrastructure and Amenities

Marketing

Construction

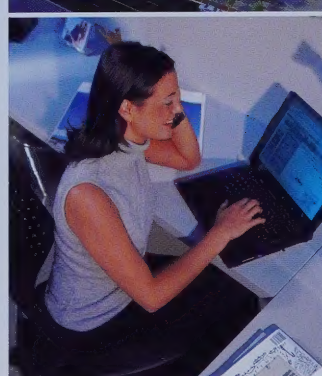
Customer Service

Report from Toronto

CityPlace is the largest new community development in the history of Toronto, covering 44 acres of land directly west of the Skydome in the downtown core. Over the next 10 to 15 years, the $1.5 billion CityPlace development will become home to more than 12,000 residents in more than 6,000 condominiums. CityPlace will be the most technologically advanced neighbourhood in Canada with a fully developed technology infrastructure able to deliver the most advanced digital services for residents.

Launched in the Spring of 1999, CityPlace has generated an outstanding response. Construction is underway on the first project, Matrix, which is virtually sold out. The second project, Apex, is selling well during the pre-sale marketing phase.

- A $3.5 million Presentation Centre was opened during the second quarter of 1999 to showcase all CityPlace projects during pre-sale marketing activities.
- In November, virtually all 642 units of Matrix sold out over the Grand Opening weekend of pre-sale activities.
- Construction on Matrix began at the end of 1999 and is scheduled for completion by the end of 2001.
- A major technology infrastructure agreement was announced with BCT.Telus to develop the "Digital Neighbourhood" at CityPlace, putting the community in the lead position as Canada's most technologically advanced community.
- A championship level nine hole golf course was launched in the Fall of 1999. The course is expected to be open for play in the Summer of 2000, making creative interim use of 10 acres of prime real estate.



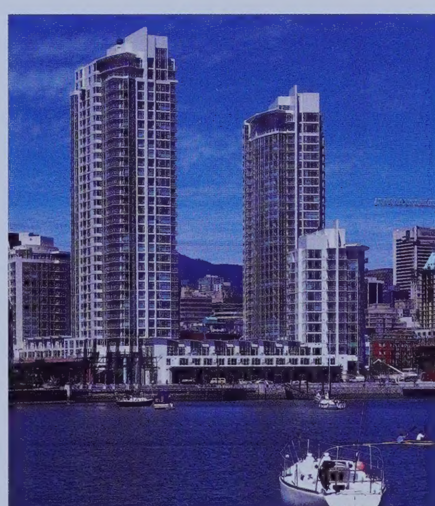
Located on 44 acres of reclaimed railway lands between the shores of Lake Ontario and Toronto's downtown core, and zoned to permit the development of 5.4 million buildable square feet, CityPlace is the site of Concord Pacific's newest master-planned community. Over the next 10 to 15 years, CityPlace will become home to some 6,000 families.

Report from Vancouver

Concord Pacific Place, in downtown Vancouver on the False Creek waterfront, is a $3 billion, 204 acre community being developed by Concord Pacific Group Inc. Construction of the first building in the community began back in 1991, and to date, more than 3,000 homes have been completed and occupied or are under construction. Truly a neighbourhood of the future, Concord Pacific Place is Canada's first fully-wired fiber optic community. Over its 15 to 20 year development cycle, Concord Pacific Place will include 9,100 homes, parks, a community centre and daycare facilities, waterfront walkways plus office and retail space.




- During 1999, the award-winning Aquarius project with its four towers and related townhome development was completed and 466 families moved in.
- In August, Urban Fare, a 27,000 square foot destination supermarket was opened in the Aquarius retail complex. Urban Fare is the flagship store of the Overwaitea Food Group's urban centre expansion.
- Concord Pacific Place is continuing to attract an increasing number of quality retail tenants including a Starbucks and a full service branch of HSBC which opened during 1999.
- Construction continues on the MarinaSide project next to Aquarius. After the sell-out of Phase I during 1998, 96% of 362 units were sold prior to completion planned for the end of 2000.
- Late in 1999, construction began on the QuayWest project. Marketing of QuayWest Tower I commenced in November of 1999. By the end of 1999, 55% of 223 units had been sold. Marketing of QuayWest Tower II commenced in March 2000.
- A second daycare centre was opened in the community.
- In the Spring of 1999, an additional 1 km of seawall walkway was opened, attracting residents from all over the Greater Vancouver area into the community.



Concord Pacific Place, on Vancouver's False Creek, is a 204-acre community under development by Concord Pacific Group Inc. In approximately eight years, the community will include 9,100 homes, parks, community and daycare facilities, waterfront walkways, plus office and retail space.

Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW AND BUSINESS OF CONCORD PACIFIC GROUP INC.

Concord Pacific Group Inc. ("Concord") is Canada's leading developer of urban, master-planned residential communities. Concord owns the lands held for development at, and is currently developing, the emerging communities of Concord Pacific Place located in Vancouver, British Columbia and CityPlace in Toronto, Ontario.

Concord commenced operations on July 22, 1997 with the purchase from Pacific Place Holdings Limited ("Holdings") of four buildings under construction and a portion of the residential development land (permitting the development of 1,890,000 square feet) at Concord Pacific Place in Vancouver.

In the 4th quarter of 1997, Concord acquired a 50% interest in CityPlace in Toronto. CityPlace is a 44 acre development site in downtown Toronto, Ontario, on which 5.4 million square feet of residential and commercial space may be developed.

On October 29, 1999 Concord completed the acquisition of the remainder of the development lands at Concord Pacific Place by purchasing all of the outstanding shares of Holdings, and the remaining interests in CityPlace (collectively, the "Purchased Assets"). Concord did not assume the liabilities of Holdings, and these liabilities remain non-recourse to Concord. As this acquisition was regarded by Concord as a related party transaction, shareholders of Concord approved this transaction at a special meeting held on August 10, 1999.

Concord now owns a 100% interest in CityPlace and all of the remaining development lands at Concord Pacific Place, other than the rights to develop non-market housing on these lands.

The price for the Purchased Assets was $19.7 million. This amount excludes mortgage debt of approximately $20 million in respect of the 50% interest in CityPlace, and liabilities of approximately $85 million relating to Concord Pacific Place. The purchase price was paid by a cash payment of $7 million at closing on October 29, 1999 and the issuance of a note for the balance of $12.7 million. Interest accrues on this amount at prime plus 1% per annum and the note is payable by June 30, 2001, or earlier from the net proceeds of an issue of common shares by Concord, or upon a change of control of Concord.

Concord may fund the balance payable for the Purchased Assets from the net proceeds of a rights issue to shareholders. The sellers of

the Purchased Assets have provided a standby commitment to Concord under which they will, if such rights are issued and expire before June 30, 2001, purchase all of the common shares of Concord that are not purchased pursuant to the rights issue, up to an aggregate maximum amount for all common shares that are to be purchased of $12.7 million.

At December 31, 1999, Concord's properties under development and land held for future development consist of the following:

- Work-in-progress on the MarinaSide and QuayWest projects in Vancouver representing a total residential and retail area of 803,779 buildable square feet (756 residential condominium units);
- Development land in Vancouver with zoning in place to permit construction of 580,075 buildable square feet of residential and retail space (488 residential condominium units);
- Development land in Vancouver owned by Holdings consisting of 5.3 million square feet of residential and commercial space;
- Development land in Toronto permitting the development of 5.4 million square feet of residential and commercial space.

Although Concord acquired all of the outstanding shares of Holdings on October 29, 1999, Holdings' financial position at December 31, 1999 and its results of operations for the two months then ended have not been consolidated with Concord's financial statements. Concord's investment in Holdings and Holdings' subsidiaries are recorded at cost. Holdings' financial statements have not been consolidated with those of Concord as Concord does not effectively control Holdings' operating, strategic, and investing policies, and has not assumed the financial risks of Holdings. The terms of Holdings' credit agreement with its primary creditor are without recourse to Concord.

DEVELOPMENT ACTIVITIES – FISCAL 1999

Concord Pacific Place

In 1999 Concord completed the construction of Aquarius consisting of three towers comprising 515,666 buildable square feet of residential area (480 condominium units) and 79,199 buildable square feet of retail space. During 1999, sales of 466 condominium units in this project were completed; of the remaining 14 units, at December 31, 1999, three were under contract for sale and 11 remained unsold. In August 1999, a 27,000 square foot supermarket opened as the anchor tenant of the Aquarius development's retail space.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Construction progressed throughout 1999 on the MarinaSide project. MarinaSide consists of three residential towers on a common podium. In total the project contains 379,268 buildable square feet of residential area (362 condominium units) and 7,277 buildable square feet of retail space.

Marketing of MarinaSide is being undertaken in phases with marketing of the first phase launched in the Fall of 1998 and the second phase launched in the Spring of 1999. Construction of this project commenced prior to the end of 1998. At December 31, 1999, contracts for the sale of approximately 346 condominium units in MarinaSide had been concluded. The project is scheduled for completion in the fourth quarter of 2000.

During the fourth quarter of 1999, construction began on the QuayWest project. QuayWest consists of two residential towers containing 408,801 buildable square feet of residential area (394 condominium units) and 8,433 buildable square feet of retail space. This project is expected to be completed early in 2002. At December 31, 1999, contracts for the sale of 122 condominium units had been concluded.

CityPlace

The rezoning of the CityPlace lands was completed in 1998. The effect of the rezoning was to allow residential use on lands that had previously been zoned for commercial use only. There was no change to the total density under the rezoning although maximum building heights were increased and greater flexibility for building shapes and massing was permitted.

During 1999, Concord completed the design of, and began preliminary construction work for, the first project at CityPlace. This project, called Matrix, consists of two towers containing approximately 500,000 square feet of buildable area consisting of 642 condominium units. Completion is expected to occur in the fourth quarter of 2001. At December 31, 1999, contracts for the sale of 635 condominium units had been concluded.

In 1999, Concord also completed the construction of the CityPlace presentation and marketing centre. The marketing centre also provides office space for the Toronto development team.

During 1999, Concord also entered into an agreement with BCT.Telus to offer high-speed internet access, multi-media services and other high-technology products to the residents of CityPlace.

All of the administrative and overhead costs incurred in the Toronto office in 1999 are considered to relate to the development of CityPlace. As a result, these costs have been capitalized to the costs of the CityPlace properties.

Concord expects to develop CityPlace over the next 10 to 12 years. In 1999, arrangements were made to utilize a portion of the site for the construction of a nine-hole executive golf course. Concord intends to engage a golf course management company to operate the golf course until the lands are required by Concord for development.

Results of Operations

Revenues in 1999 of $139.3 million included $134.8 million from the sale of 466 condominiums units in the Aquarius project, $2.4 million from the sale of 5,018 buildable square feet of completed retail space in Aquarius and $2.1 million of interest and other revenue.

Revenues in 1998 of $138.6 million included $128.7 million from the sale of 396 residential condominium units in the Landmark 33, Waterworks, Yaletown LTD and Columbus projects at Concord Pacific Place, $6.8 million from the sale of 35,853 buildable square feet of completed retail space, $1.7 million from the sale of 45,455 buildable square feet of entitlements to construct non-market housing and $1.4 million of interest and other revenue.

Net earnings for 1999 were $12.9 million ($0.39 per share) compared to a net loss in 1998 of $16.7 million ($0.81 per share). The loss in 1998 included an after-tax charge to earnings from the writedown of certain land held for development (including land options) of Concord Pacific Place totaling $15.2 million. As Concord experienced strong sales in both the Aquarius and MarineSide projects in 1999, and as the decline in property values in Vancouver leveled off, no writedown in the carrying value of the properties was considered to be necessary in 1999.

Concord recorded rental revenues of $0.3 million (1998 - $0.2 million) from leases of retail space at Concord Pacific Place. The retail space at Concord Pacific Place is held for sale; however, prior to concluding their sale, the retail space is leased to third parties on a short-term basis.

Property operating costs and taxes on retail properties held for sale for 1999 were $0.3 million (1998 - $0.1 million). The increase in property operating costs was mainly caused by an increase in retail space built.

Operating, administrative and office costs in 1999 were reduced by $ 1.5 million from the prior year as a result of a reduction in staff levels, reduced office rent, and increased capitalization of administrative costs to properties.

CityPlace had limited impact on results in 1999 and 1998 because it is still in the pre-development phase and most of its expenses have been capitalized. Sales of residential units in Matrix are not expected to be completed until 2001, following completion of this project.

Concord incurred tax losses prior to 1999 and accordingly, utilized a portion of the available tax losses to reduce its 1999 income tax provision.

Concord had published a consolidated statement of forecast income for the year ending December 31, 1999 in its information circular dated June 29, 1999. Concord forecast net income for 1999 to be $12.0 million. Actual net income for the year was $12.9 million. The difference was mainly due to savings in administrative and office expenses, and the capitalization of a greater percentage of administrative costs due to increased development activities.

Financial Position and Asset Base

Properties of $182.7 million (1998 - $185.8 million) include properties held for sale of $18.4 million (1998 - nil), land under development of $81.0 million (1998 - $131.1 million), and land held for future development

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

of $83.3 million (1998 -$ 54.7 million). Of this amount, $107.0 million (1998 -$160.8 million) is in respect of land located in Vancouver and $75.7 million (1998 - $25.0 million) is in respect of land located in Toronto. The land held for future development includes $39.8 million (1998 - $29.7 million) of development lands in Vancouver and $43.5 million (1998 - $25.0 million) of development lands in Toronto.

The note payable of $12.7 million represents the amount owing to the sellers of the interests in Concord Pacific Place and CityPlace acquired by Concord in October, 1999, and referred to above as the Purchased Assets. The note is repayable, together with accrued interest, by June 30, 2001.

The balance of land options (1999 – nil; 1998 – $1.2 million) has been reclassified as part of the investment in Holdings. Investments include the investment in Holdings and in a partnership that owns an interest in Concord Pacific Place. The remaining interests in this partnership are owned by Holdings. As indicated above, although Concord owns all of the shares of Holdings, the financial statements of Holdings have not been consolidated with the consolidated financial statements of Concord. A summary of Holdings' financial statements is contained in note 4 to the Consolidated Financial Statements of Concord.

Bank indebtedness at December 31, 1999 was $4.3 million (1998 - $0.6 million). Bank indebtedness is utilized to pay construction costs before funds are drawn on construction loans.

Liquidity and Capital Resources

In undertaking the development of residential condominiums, Concord seeks to minimize the sales risk by marketing condominium units to third party purchasers prior to commencement of construction. With the achievement of a sufficient level of pre-sales, it has been possible to obtain construction financing to fund all of the costs of construction and other improvements with Concord's equity investment limited to the value of the land under development. Concord has commitments in place to fund the projected costs of the three residential projects now under construction (MarinaSide, QuayWest and Matrix). These facilities incur interest at floating rates and are to be repaid on completion of the sale of the buildings under construction.

During 1998 and as part of the corporate reorganization of BurCon, Concord's former parent company, Concord borrowed $40 million from a bank to make a partial repayment of loans previously made by BurCon. As part of the same reorganization, the balance of shareholder loans of $93.0 million was converted to equity. Concord repaid $20 million of the bank loan by the end of December 1998 using proceeds from the sale of completed residential and retail units and non-market housing entitlements. The remaining $20 million was repaid in December 1999 using proceeds from the sale of residential units in the Aquarius project completed during the year.

For 1999 Concord was cash flow positive both on an operating basis and after financing and investing activities.

Shareholders' equity as at December 31, 1999 was $95.9 million (1998 - $83.1 million). The combination of this level of shareholders' equity, the existing level of pre-sales and expected proceeds from closing on MarinaSide and Matrix should provide Concord with adequate capital resources and liquidity to fund its operations at the existing level of activity for the foreseeable future, and to repay the note to the sellers of the Purchased Assets.

Risks and Uncertainties

Concord develops residential condominiums in Vancouver and Toronto. As such, it is faced with the business risks inherent in the real estate development industry including changes in the demand for housing and competition. One of the methods Concord uses to reduce its exposure to risk is to market and sell the condominium units in advance of commencing construction.

In response to significant slowdown in the British Columbia economy, Concord marketed the MarinaSide project in the latter half of 1998 and early in 1999 by offering purchasers mortgage financing at below market interest rates and lease-back arrangements for up to a three year period. Although these features proved to be very successful in attracting purchasers for MarinaSide, the cost of these programs are expected to reduce the profit margin for this project compared to the profit margin realized from the sale of Aquarius. The financial impact will be reflected in Concord's statement of earnings for the year in which construction of the MarinaSide project is completed and revenues are recognized (expected to be 2000).

Under the lease-back program Concord would have a liability if a material reduction in the market level of rents for this type of property occurs. Concord believes that the rates offered to purchasers under the lease-back program were at or below market levels as they existed at the time the lease-back arrangements were made. Consequently, the contingent liability has not been accrued in the consolidated financial statements.

The cost to Concord under the mortgage interest rate buy-down program is determined with respect to the lowest level of interest rates that exists between entering into the contract to sell the unit and the closing date (approximately an 18 to 24 month period). With respect to existing pre-sales contracts, the maximum cost is fixed and actual costs may be lower if interest rates are lower at any time at or prior to completion.

In contrast to Vancouver, the prospects for residential development in Toronto have been much more favourable as the Ontario economy is experiencing steadier growth and the demand for housing continues to be strong. Although the underlying fundamentals for residential development in Toronto are favourable, recent proposals for province-wide treatment of property taxes have created uncertainty over the potential holding costs for large scale real estate development projects such as CityPlace.

As an owner of real property, Concord is subject to various laws relating to environmental matters. Such laws provide that Concord could be liable for the costs of removal and remediation of certain hazardous

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

substances or waste released or deposited on or in its properties or disposed of at other locations.

A significant portion of the Concord Pacific Place lands is comprised of fill from various sources. Over the past 100 years these lands have hosted numerous and varied industrial and commercial activities. These activities, as well as the nature of the fill used to create much of the site, resulted in soils at the site which are contaminated under current provincial standards.

Prior to Concord's acquisition of a significant portion of Concord Pacific Place in 1997, Holdings entered into an agreement with the Province of British Columbia (the "Soils Agreement") in which the Province agreed, at its expense, to carry out remediation required in relation to proposed uses within the site and in respect of contamination existing on the site as of May 11, 1988. The benefits and obligations of the Soils Agreement were transferred to Concord as part of the 1997 asset acquisition and Concord assumed all indemnities granted to the City of Vancouver. Under the Waste Management Amendment Act, 1993, Concord and all other past and future owners or operators of lands in British Columbia are potentially liable for the cost of remediation of contaminated soils regardless of whether they caused the contamination.

Initial tests performed indicate that the CityPlace lands contain hazardous substances that exceed allowable levels. Under the terms of the CityPlace Agreement, the costs of soil remediation will be shared between Concord and Canada Lands Company CLC Limited ("CLC"), subject to a maximum amount beyond which CLC is not required to contribute. If the maximum liability is reached, Concord may either pay the costs or return the unremediated land to CLC.

Outlook

Concord Pacific launched the second phase of the marketing campaign for QuayWest at Concord Pacific Place in Vancouver in March 2000. The project consists of two residential towers containing 408,801 buildable square feet of residential area (394 condominium units) and 8,433 buildable square feet or retail space. QuayWest is scheduled for completion in the first quarter of 2002.

Concord Pacific also launched the marketing campaign for the second phase of CityPlace in Toronto in late April 2000. The second phase called Apex, consists of two residential towers containing approximately 500,000 square feet of residential area (637 condominium units) and 5,000 buildable square feet of retail space. Apex is scheduled for completion in the third quarter of 2002.

Rezoning of the Quayside marina located on the north shore of False Creek at Concord Pacific Place was completed in 1999 and a development permit for the marina is expected to be issued in the Spring of 2000. Marketing of the marina is scheduled to start in the Summer of 2000.

Concord has commenced the building design of the first phase of the Beach Neighbourhood project, located adjacent to David Lam Park on its west side. Concord

expects to launch a marketing campaign for the first building of this project in the Fall of 2000.

The construction of the nine-hole golf course and driving range at CityPlace is expected to complete in the Summer of 2000. Income from the golf course will be utilized to offset the land holding costs of the site. The golf course will be demolished when the lands involved are required by Concord for development.

Revenue of the Company is derived from sales of residential units constructed on its development lands, and is recognized at the time the sales are completed and the purchaser is entitled to occupancy. MarinaSide at Concord Pacific Place is expected to be completed late in 2000. The profit margin for this project has been reduced in comparison to Aquarius as a result of the lease-back program referred to above. If construction is delayed, sales may not be recorded in Concord's statement of earnings until 2001.

The Canadian economy is projected to remain strong particularly for the Greater Toronto Area, while conditions in Vancouver continue to improve. These factors should contribute to strong demand for quality, residential developments in both of these regions. Pre-sales of units in Toronto and Vancouver are proceeding very well, and Concord anticipates that high levels of pre-sales will continue for both new developments at Concord Pacific Place and CityPlace.

Management's Responsibility

The accompanying consolidated financial statements of Concord Pacific Group Inc. included in this Annual Report have been prepared by the management of the Company in accordance with generally accepted accounting principles in Canada appropriate for the real estate industry.

Management maintains a system of internal accounting controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgement to make estimates required to ensure fair and consistent presentation of this information and in the selection of appropriate accounting policies.

PricewaterhouseCoopers LLP, the independent auditors appointed by the shareholders have examined the consolidated financial statements. An Audit and Corporate Governance Committee appointed by the Board of Directors of the Company has reviewed these statements with management and PricewaterhouseCoopers LLP, and has reported to the Board. The Board has approved the consolidated financial statements.

All other financial and operating data included in the Annual Report are consistent, where appropriate, with information contained in the consolidated financial statements.

Terence Hui,
President and Chief Executive Officer
April 28, 2000

Dennis Au-Yeung
Vice-President, Finance
April 28, 2000

Auditors' Report

To the Shareholders of Concord Pacific Group Inc.

We have audited the consolidated balance sheets of Concord Pacific Group Inc. as at December 31, 1999 and 1998 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C. Canada

February 25, 2000

Consolidated Balance Sheets

as at December 31, 1999 and 1998 *(in thousands of dollars)*

	1999	1998
Assets		
Properties (note 6)	$ 182,727	$ 185,752
Land options (note 7)	–	1,208
Capital assets (note 8)	4,581	2,071
Amounts receivable and prepaid expenses	2,784	2,934
Investments (notes 3, 4, 5 and 7)	6,813	–
Due from Grand Adex Properties Inc. (note 10)	–	185
Due from PPHL Property Limited Partnership (note 11)	–	10,030
Cash held in trust (note 9)	5,135	4,071
	$ 202,040	$ 206,251
Liabilities		
Liabilities on properties		
Construction loans (note 13)	$ 40,283	$ 69,025
Bank loan (note 14)	–	20,000
Other financing on land held for future development (note 15)	34,263	15,862
Bank indebtedness (note 16)	4,260	554
Accounts payable and accrued liabilities (note 17)	13,817	16,263
Due to Pacific Place Holdings Ltd. (note 12)	777	1,471
Note payable (note 25)	12,700	–
	$ 106,100	$ 123,175
Shareholders' Equity		
Share capital (note 19)	117,744	117,744
Share warrants (note 19)	613	613
Deficit	(22,417)	(35,281)
	95,940	83,076
	$ 202,040	$ 206,251

Commitments (note 21)
Contingencies (note 23)

Approved by the Board of Directors

David McLean

D. McLean, Director

Terry Hui

T. Hui, Director

Consolidated Statements of Earnings

for the years ended December 31, 1999 and 1998

(in thousands of dollars, except per share amounts)

	1999	1998
Revenues		
Sales of residential properties	$ 137,247	$ 137,240
Other	756	306
Interest (note 24)	1,336	1,076
	$ 139,339	$ 138,622
Expenses		
Cost of residential properties sold	$ 123,667	$ 135,885
Administrative and office	2,008	3,505
Property operating costs and taxes on retail properties for sale	325	147
Amortization	61	104
Write-down in the carrying value of land held for future development and land options	–	15,223
	$ 126,061	$ 154,864
Earnings (loss) before tax	$ 13,278	$ (16,242)
Large corporations tax	$ 414	$ 453
Net earnings (loss) for the year	$ 12,864	$ (16,695)
Basic earnings (loss) per share (note 20)	$ 0.39	$ (0.81)
Fully diluted earnings (loss) per share (note 20)	$ 0.34	$ (0.81)

Consolidated Statements of Deficit

for the years ended December 31, 1999 and 1998 *(in thousands of dollars)*

	1999	1998
Deficit – Beginning of year	$ (35,281)	$ (18,586)
Net earnings (loss) for the year	12,864	(16,695)
Deficit – End of year	$ (22,417)	$ (35,281)

Consolidated Statements of Cash Flows

for the years ended December 31, 1999 and 1998 *(in thousands of dollars)*

	1999	1998
Cash flows from operating activities		
Net earnings (loss) for the year	$ 12,864	$ (16,695)
Items not affecting cash		
Amortization	61	104
Write-down in the carrying value of land held for future development and land options	–	15,223
Expenditures on properties under development and for sale, and land held for future development	(89,177)	(101,982)
Cost of residential properties sold	123,667	135,885
Change in other non-cash operating balances	(2,152)	808
	$ 45,263	$ 33,343
Cash flows from financing activities		
Due from Grand Adex Properties Inc. (note 10)	$ 185	$ 6,356
Due from PPHL Property Limited Partnership (note 11)	10,030	(10,030)
Repayment of construction loans (note 13)	(69,025)	(84,545)
Construction loan borrowings (note 13)	40,283	69,025
Bank loan (note 14)	–	20,000
Bank loan repayments (note 14)	(20,000)	–
Due to Pacific Place Holdings Ltd. (note 12)	(694)	6,787
Repayment of advances from former parent company	–	(40,445)
	$ (39,221)	$ (32,852)
Cash flows from investing activities		
Land options (note 7)	$ –	$ (793)
Purchase of capital assets	(2,748)	(372)
Purchase of investment in limited partnership (note 3)	(7,000)	–
	$ (9,748)	$ (1,165)
Increase in bank indebtedness	$ (3,706)	$ (674)
(Bank indebtedness) cash – Beginning of year	(554)	120
Bank indebtedness – End of year	$ (4,260)	$ (554)
Interest paid	$ 4,842	$ 5,220
Taxes paid	$ 306	$ 446

Notes to Consolidated Financial Statements

As at December 31, 1999 and 1998 *(all dollar amounts in thousands)*

1. **Nature of operations**
Concord Pacific Group Inc. ("CPGI" or the "company") was incorporated on March 14, 1997 and was continued as a corporation under the Canada Business Corporations Act on June 17, 1998. The company was incorporated as a wholly-owned subsidiary of BurCon Properties Limited (the "parent company"), which subscribed for 250,001 common shares of the company on July 21, 1997 for $25,000. The company develops real estate properties.

Also in 1998, the company settled advances due to the parent company by issuing common shares and common share purchase warrants to the shareholders of the parent company (note 19). On June 2, 1998, the shares of the company were listed on the Toronto Stock Exchange and the Vancouver Stock Exchange (a predecessor of the Canadian Venture Exchange).

a) **Concord Pacific Place**
On July 22, 1997, the company purchased a number of residential real estate development projects (the "Projects"), land held for future development, and options to acquire undeveloped land ("land options") which form a part of the Concord Pacific Place development site in Vancouver, British Columbia from Pacific Place Holdings Ltd. ("PPHL"). PPHL provided a net cash guarantee to the company to ensure that net revenues (as defined in the Asset Purchase Agreement) resulting from the sale of the Projects amounted to a certain specified amount. If net revenues achieved were greater than the specified amount, the company was required to pay the difference to PPHL. The net cash guarantee was settled during 1999 (note 11).

b) **CityPlace**
In 1997, the parent company transferred its ownership of 100% of the shares of CC Acquisition Corp. ("CCAC") (formerly Concord CityPlace Acquisition Corp.) to the company for consideration consisting of one common share of the company and a note payable.

In 1997, CCAC acquired undeveloped residential lands known as the CityPlace lands located in Toronto, Canada from Canada Lands Company CLC Limited ("CLC"). Subsequently, the company entered into an agreement to sell a 50% interest in the CityPlace lands to Grand Adex Properties Inc. ("GAPI"), a company owned by members of the family of an officer and director of the company.

Effective November 26, 1998, CCAC entered into a limited partnership agreement (the "Concord Adex Limited Partnership" or the "Joint Venture") with 548432 B.C. Ltd., a wholly owned subsidiary of GAPI, to develop the CityPlace lands. CCAC and 548432 B.C. Ltd. each transferred their respective 50% interests in the CityPlace lands into the Joint Venture in exchange for an equivalent interest in the Joint Venture. Pursuant to the formation of the Concord Adex Limited Partnership, Concord Adex Developments Corp. ("Concord Adex") was incorporated to act as the general partner of the Joint Venture.

c) **Acquisition**
On October 29, 1999, the company completed the acquisition of all of the issued and outstanding shares of PPHL, all of the partnership interests in The Crestmark Developments Limited Partnership ("Crestmark") not owned by PPHL, and the 50% interest in the CityPlace lands owned by GAPI (including the shares of Concord Adex) for a purchase price of $19,700 (note 3). As a part of the transaction completed on October 29, 1999, the Joint Venture was dissolved.

Notes to Consolidated Financial Statements *(continued)*

2. Summary of significant accounting policies

General
The company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

Principles of consolidation
These consolidated financial statements include the accounts of the company, its wholly-owned subsidiaries, CCAC, Picton Enterprises Limited, and Eastview Property Limited.

The consolidated financial statements do not include the accounts of its wholly-owned subsidiary, PPHL; PPHL has been accounted for on a cost basis (note 4).

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet dates, and revenues and expenses for the years then ended. Actual results could differ from those estimates.

Property development costs
Estimated development costs are inherently subject to fluctuation and unforeseen costs or expenses could be incurred in the development process. The costs associated with properties under development and land held for future development could be significantly different due to circumstances beyond the company's control, including changes in interest rates, increases in material and labour costs or service charges. The company's estimated revenues from properties under development and land held for future development are budgeted considering the sale of an estimated number of units for each project at an estimated price, which may be subject to change when the project is ultimately completed. There can be no assurance that the various assumptions will be realized or that the projects will not be affected by unforeseen economic factors, resulting in a diminution in the anticipated value of the company's properties under development. Accordingly, management's estimates of the net realizable value of properties under development and land held for future development are based on the best available information at the date of assessment.

Warranty liability
The company has outstanding warranty obligations on all of its development projects. These obligations cover any major construction defects for a period of 10 years after possession by the purchaser and any minor defects for five years after possession by the purchaser. The amount of the future liability has been estimated by management based on past experience and has been recorded in accounts payable and accrued liabilities. The estimation of future warranty costs requires that management make certain assumptions; actual warranty costs could differ from these estimates.

Capitalized costs
The costs of properties held for sale, under development, and land held for future development include all expenditures incurred in connection with the acquisition, development and/or construction of these properties. These expenditures consist of all direct costs, interest from debt on properties, and administrative expenses that are directly identified with the development of the properties. Incidental revenue relating specifically to such properties during the development and construction phases is treated as a reduction of cost.

Properties developed and held for sale
Properties developed and held for sale are carried at the lower of cost and net realizable value.

Properties under development
Properties under development include residential projects under construction and are carried at the lower of cost and net realizable value.

Land held for future development
Land held for future development is carried at the lower of cost and net realizable value.

Land options
In 1998, the company accounted for its investment in land options at the lower of cost and fair value, increased for refundable infrastructure development costs incurred. In 1999, the amount is considered to be part of the investment in PPHL (note 7).

Capital assets
Capital assets are recorded at cost. Amortization is provided at the following rates:

Marketing centres	amortized on a straight-line basis over five years
Other capital assets	
Furniture and office equipment	20% declining balance
Computer equipment	30% declining balance
Automobiles	30% declining balance
Leasehold improvements	straight line over the term of the lease

Cash
Cash includes cash and investments with a maturity date at acquisition of less than 90 days.

Revenue recognition
Revenue from the sale of condominium units is recorded when the purchaser is entitled to occupancy and collection is reasonably assured.

Sales incentives
The company may provide sales incentives such as rental guarantees and favourable interest financing to its customers. The cost of these sales incentives are recorded as a reduction of the related sales revenue.

Cost of sales
Cost of sales of condominium projects is determined using the net yield method whereby the cost of sales for the period is a prorated amount of total estimated costs for the project based on sales for the period versus projected sales for the entire project.

Income taxes
The company accounts for income taxes using the tax-allocation method. Under this method, timing differences between reported and taxable income result in provisions for taxes not currently payable. Such timing differences arise principally as a result of the difference in the treatment of amortization, contractor holdbacks and soft costs for tax purposes compared to their treatment for accounting purposes.

Per share calculations
Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year, adjusted for any stock splits. Fully diluted earnings per share is calculated when dilutive by adjusting the number of common shares outstanding for the year for the effects from the potential exercise of stock options and share purchase warrants.

Stock options
The company has granted stock options to certain directors and employees (note 19). There has been no recognition of compensation expense for options granted and any consideration received by the company from the exercise of options is credited to share capital.

Notes to Consolidated Financial Statements *(continued)*

Financial instruments
The estimated fair values of the following financial assets and financial liabilities are substantially equal to their book values as the components are short term in nature:

a) cash and cash held in trust
b) amounts receivable and prepaid expenses
c) bank indebtedness
d) accounts payable and accrued liabilities

Where the estimated fair values of the liabilities on properties for sale, under development, and land held for future development differ from their book values, the amounts are disclosed in the notes to these consolidated financial statements.

3. Acquisition
On October 29, 1999, the company completed the acquisition of 100% of the outstanding shares of PPHL (related to the company through common management), the minority interest in The Crestmark Developments Limited Partnership ("Crestmark") (PPHL holds the majority interest), and the 50% interest in the CityPlace lands (note 1(b)) not already owned by the company for total consideration of $19,700 ($7,000 in cash, and a $12,700 promissory note). The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated as follows:

11.53% interest in Crestmark	$ 4,200
100% of the outstanding shares of PPHL	–
CityPlace property under development and land held for future development (note 1)	15,500
Total consideration	$ 19,700

4. Non-consolidated subsidiaries
Although the company owns 100% of the outstanding shares of PPHL and the company has the right to elect PPHL's board of directors, the company has concluded that PPHL is not a subsidiary for accounting purposes and, therefore should not be consolidated for the following reasons:

a) The company does not effectively control PPHL as it does not have the power to define its strategic operating, investing and financing policies without the concurrence of PPHL's creditors.

b) The company did not assume the financial risks related to PPHL's bank financing, nor does the company share in the financial rewards of PPHL's income until the existing bank financing is fully repaid.

As at December 31, 1999, PPHL's consolidated balance sheet and statement of earnings (which include the assets, liabilities, and results of operations of Crestmark) for the period from acquisition to December 31, 1999 are as follows:

CONSOLIDATED BALANCE SHEET

	December 31, 1999
Assets	
Properties	$ 76,766
Capital assets	326
Amounts receivable and prepaid expenses	330
Due from parent company	777
Cash	5,936
Cash held in trust	296
	$ 84,431
Liabilities	
Bank loans	$ 81,791
Accounts payable and accrued liabilities	15,466
Advance received	1,700
Deposit on sales	13,702
	$ 112,659
Interest in Crestmark owned directly by CPGI	$ 3,148
Shareholders' Deficiency	
Share capital	$ 1
Deficit	(31,377)
	$ (31,376)
	$ 84,431

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

	Period from October 29, 1999 to December 31, 1999
Revenues	
Other	$ 81
Interest	47
	$ 128
Expenses	
Cost of residential properties	$ 298
Administrative and office	408
Amortization	22
	$ 728
Loss before interest in Crestmark owned directly by CPGI	$ (600)
CPGI's interest in Crestmark	$ (48)
Loss before tax	$ (552)
Large corporations tax	$ (25)
Loss for the period	$ (577)
Deficit – Beginning of period	$ (30,800)
Deficit – End of period	$ (31,377)

Notes to Consolidated Financial Statements *(continued)*

5. **Investments**

The company's investments resulting from the acquisition of PPHL and the minority interest in Crestmark (note 3) are as follows:

	1999
Investment in Crestmark	$ 4,200
Investment in PPHL (including land options, note 7)	2,613
	$ 6,813

6. **Properties**

Properties include the following:

	1999	1998
Properties developed and held for sale	$ 18,446	$ –
Properties under development	80,955	131,076
Land held for future development	83,326	54,676
	$ 182,727	$ 185,752

During the year, the company capitalized the following charges to the cost of properties held for sale, under development, and land held for future development:

	1999	1998
Direct costs	$ 101,312	$ 89,252
Interest (note 24)	7,718	6,283
General and administrative expenses	8,742	5,300
Property taxes	2,870	2,322
	$ 120,642	$ 103,157

7. **Land options**

In 1997, the company purchased land options to acquire certain undeveloped residential land on the Concord Pacific Place development site.

The land under option is owned by PPHL, which was acquired by the company on October 29, 1999 (note 3). The options were not exercised as at December 31, 1999. The company has the right to extend the option period to December 31, 2000 upon payment of an extension fee.

During 1998, the options were written down to their estimated fair value which equalled the value of the refundable costs specified under an Infrastructure Development and Funding Agreement ("IDFA") between the company and PPHL entered into in 1997.

The company's investment in land options has been reclassified from land options to the investment in PPHL at December 31, 1999 (note 5).

Land options comprise:

	1999	1998
Cost of acquisition	$ 8,300	$ 8,300
Carrying costs capitalized	915	915
Infrastructure development and funding agreement costs ("IDFA") capitalized (note 21)	2,613	1,208
	$ 11,828	$ 10,423
Less		
Write-down to fair value	$ (9,215)	$ (9,215)
Reclassification to investment in PPHL	(2,613)	–
	$ –	$ 1,208

8. **Capital assets**

			1999
	Cost	Accumulated amortization	Net
Marketing centres	$ 5,617	$ 1,691	$ 3,926
Other capital assets	1,285	630	655
	$ 6,902	$ 2,321	$ 4,581

			1998
	Cost	Accumulated amortization	Net
Marketing centres	$ 2,146	$ 752	$ 1,394
Other capital assets	1,029	352	677
	$ 3,175	$ 1,104	$ 2,071

9. **Cash held in trust**

	1999	1998
Cash held in trust	$ 32,154	$ 25,851
Less trust liabilities		
Sales deposits on pre-sold residential units	(27,019)	(21,780)
Balance – representing Builders' holdbacks on properties under development and sale proceeds held in trust	$ 5,135	$ 4,071

In 1998, an officer and director of the company purchased two units of a property that was covered by the net cash guarantee (note 1). The amount held in trust will be released upon transfer of legal title of the units.

10. **Due from Grand Adex Properties Inc. ("GAPI")**
The amount due from GAPI (a company owned by members of the family of an officer and director of the company) as at December 31, 1998 represented expenditures relating to the CityPlace lands. The amount due was unsecured, reimbursable, non-interest bearing, payable on demand, and was repaid during the year ended December 31, 1999.

11. **Due from PPHL Property Limited Partnership**
As part of the purchase of the Projects (note 1(a)), the amount due from PPHL Property Limited Partnership (a limited partnership in which GAPI is a partner) arose in 1998 as a result of the sale of certain projects covered by the net cash guarantee. The amount was interest bearing at 10% per annum from January 1, 1999 and was repaid in full during the first quarter of 1999.

12. **Due to Pacific Place Holdings Ltd.**
The balance due to PPHL is non-interest bearing and due on demand.

13. **Construction loans**
The company has bank facilities for the purpose of financing the construction of properties under development up to a maximum principal amount of $90,000 (1998 - $116,000). At December 31, 1999, certain loans bear a fixed rate of interest, either 5.15%, 5.18% or 5.35%, while others bear a floating rate of prime plus 0.50%. The weighted average interest rate on these loans for the year ended December 31, 1999 was 6.1% (1998 - 6.5%).

The construction loan facilities are secured by:

a) demand collateral mortgages of an unspecified amount and assignment of rents creating a first charge over properties under development; and
b) a general security agreement over all present and after-acquired personal property affixed to properties under development.

Notes to Consolidated Financial Statements *(continued)*

13. Construction loans *(continued)*

The construction loans drawn at December 31, 1999 and 1998 and the maturity dates of the loans are as follows:

Development	Maturity date	1999	1998
Aquarius	June 30, 2000	$ –	$ 69,025
Marinaside	March 31, 2001	30,115	–
CityPlace	June 22, 2000	10,168	–
		$ 40,283	$ 69,025

The company has provided letters of credit totalling $1,458 (1998 - $2,229) to the City of Vancouver for obligations relating to the construction of infrastructure at Concord Pacific Place.

14. Bank loan

The bank loan was repayable on demand not later than December 31, 1999. The interest rate on the loan was prime plus 0.25% and the loan was secured by:

a) a $40,000 demand collateral mortgage, and an assignment of rents creating a charge over properties for sale, under development, and land held for future development; and
b) a $133,000 demand collateral mortgage and an assignment of rents included as security to the lender for the construction loans.

The bank loan was fully repaid during 1999.

15. Other financing on land held for future development

Under the agreement to acquire the CityPlace lands (note 1(b)), the company received title to residential development lands but is not obliged to make payments until the period from 2001 through 2012. The liability bears interest at 8% commencing two years before the particular payment due date. Accordingly, the obligation is considered to be at non-market rates and has been discounted at 8% to arrive at the value reported in these consolidated financial statements.

The obligation is repayable as follows:

	1999	1998
December 31,		
1999	$ –	$ –
2000	–	–
2001	2,390	2,390
2002	4,780	4,780
2003	4,780	4,780
Thereafter	43,728	43,728
Total obligation payments	$ 55,678	$ 55,678
Less: Present value discount	21,415	23,954
	$ 34,263	$ 31,724
Less: Other partners' proportionate share of the obligation	–	15,862
	$ 34,263	$ 15,862

The obligation is secured by:

a) a mortgage in the principal amount of $80,000 with a first charge over the CityPlace lands;
b) a floating charge over the assets of CCAC; and
c) an unlimited guarantee provided by the company, creating certain restrictions on the repayment of shareholder loans, redemption of share capital and payment of dividends.

The fair value of other financing on land held for future development as at December 31, 1999 is not practicable to determine with sufficient reliability as there are no similar financing arrangements available for comparison.

16. Bank indebtedness

Bank indebtedness is the balance drawn on the company's operating credit facility.

The maximum amount of the company's bank operating credit facility is $5,500 (1998 - $3,000). The credit facility bears interest at rates ranging from prime to prime plus 0.50% and is secured under the same terms as the construction loans (note 13). As at December 31, 1999, the balance drawn on the facility was $4,264 (1998 - $686).

17. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise:

	1999	1998
Trade accounts payable and accrued liabilities	$ 12,952	$ 13,405
B.C. corporation capital tax and large corporations tax	305	101
Unearned revenue	–	2,757
Warranty	560	–
	$ 13,817	$ 16,263

18. Income taxes

	1999	1998
Earnings before income taxes	$ 13,278	$ (16,242)
Tax at statutory rate of 45.62%	$ 6,057	$ –
Increase (decrease) resulting from		
Non-deductible expenses	533	–
Use of tax loss carryforwards	(6,590)	–
Large corporations tax	414	453
Reported income tax provision	$ 414	$ 453

The company has the following non-capital losses carried forward for accounting purposes, the benefit of which has not been recorded in the consolidated financial statements. Losses for tax purposes expire as follows:

2004	$ 3,500
2005	16,500
Tax losses	$ 20,000
Timing differences	2,500
Accounting losses	$ 22,500

19. Share capital

Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares

Issued:

	Number of shares	Amount
Balance at January 1, 1998	250,002	$ 25,000
Stock split (8.8006:1), net of 279 fractional shares cancelled on stock split	1,949,894	–
Conversion of advances from parent company (note 1) to common shares	31,114,630	93,003
Share issuance costs	–	(289)
Balance at December 31, 1998 and 1999	33,314,526	$ 117,744

Notes to Consolidated Financial Statements *(continued)*

19. Share capital *(continued)*

Share warrants

In 1998, the company issued share purchase warrants to the shareholders of the parent company (note 1) and as at December 31, 1999, there are 2,450,000 (1998 - 2,450,000) share purchase warrants outstanding each entitling the holder to purchase one common share for $2.41.

The share purchase warrants expire on July 22, 2002.

Stock options

Certain employees and directors of the company have been granted options to purchase, for cash, common shares at an exercise price of not less than 100% of the market value of the common shares at the date granted. Any options granted must be exercised within 10 years and generally vest at the rate of 20% per year over the first five years. The details of the stock options issued are as follows:

	Options outstanding		Options exercisable	
Exercise price	Number outstanding December 31 1999	Weighted average remaining contractual life (years)	Number exercisable at December 31, 1999	Weighted average exercise price
$ 0.67	180,000	9.23	–	$ 0.67
0.75	200,000	9.83	70,000	0.75
0.78	525,000	9.50	100,000	0.78
1.11	1,755,000	8.46	351,000	1.11
$0.67-1.11	2,660,000	8.82	521,000	$ 1.00

	1999		1998	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding – Beginning of year	2,577,727	$ 1.11	–	$ –
Granted	905,000	0.75	2,577,727	1.11
Exercised	–	–	–	–
Expired/forfeited	(822,727)	1.11	–	–
Outstanding – End of year	2,660,000	$ 0.99	2,577,727	$ 1.11
Options exercisable at year end	521,000	$ 1.00	277,822	$ 1.11

20. Earnings (loss) per share

The weighted average number of common shares outstanding for the year ended December 31, 1999 is 33,314,526 (1998 - 20,612,937).

The weighted average number of common shares outstanding for the year ended December 31, 1999 used to calculate fully diluted earnings per share is 38,424,526. In 1998, fully diluted earnings per share was anti-dilutive, therefore basic earnings per share is shown as the comparative figure.

21. Commitments

Infrastructure development and funding agreement ("IDFA")

Under an infrastructure development and funding agreement dated July 21, 1997 between the company and PPHL, the company has an obligation to fund costs incurred by PPHL associated with infrastructure development costs ("IDFA costs") for those portions of the Concord Pacific Place site for which the company holds purchase options (note 7). The timing and amount of funding is dependent upon when these costs are incurred by PPHL.

22. Joint Venture

The following amounts represent the company's proportionate interest in the Concord Adex Limited Partnership:

	1999	1998
Assets	$ –	$ 25,605
Liabilities	–	16,126
Operating expenses including income taxes, being loss for the period	–	50
Cash flows from operating activities	(5,539)	(1,746)
Cash flows from financing activities	6,515	–
Cash flows from investing activities	(1,511)	(324)

Under the terms of the Concord Adex Limited Partnership, Concord Adex was to be allocated 0.0001% of the net income or loss of the Joint Venture. The balance of the net income or loss from the Joint Venture was to be allocated equally to the joint venture partners. The Joint Venture arrangement was dissolved on October 29, 1999 (note 1) and consequently there are no Joint Venture assets or liabilities at December 31, 1999.

23. Contingencies

CityPlace lands

Initial tests by both the company and CLC indicate that the CityPlace lands contain hazardous substances that exceed the allowable levels for residential developments. Under the terms of the acquisition of the CityPlace lands from CLC, the cost of soil remediation will be shared between the company and CLC subject to a maximum amount beyond which CLC is not required to contribute. If the maximum contribution is reached, the company may either pay the additional costs or return the unremediated land to CLC.

24. Interest

Interest charges (income) were incurred as follows:

	1999	1998
Construction loans	$ 4,104	$ 3,618
Bank loan	1,076	1,490
Interest on other financing on properties	2,538	1,175
	$ 7,718	$ 6,283
Less: Interest capitalized to properties	7,718	6,283
	$ –	$ –
Bank indebtedness	128	82
Interest income	(1,464)	(1,158)
	$ (1,336)	$ (1,076)

25. Note payable

The note payable is due to the vendors of PPHL, Crestmark, and the CityPlace lands for the acquisition (note 3). The balance accrues interest commencing on January 27, 2000 at prime plus 1% per annum. The principal and interest are due on June 30, 2001.

26. Other revenue

Other revenue consists of forfeited sales deposits and rental income received from rental property units.

27. Related party transactions

Subsequent to the acquisition of the Concord Pacific Place assets, certain officers and directors of PPHL and its affiliated companies (the "Pacific Place Group") became officers and directors of the company. In addition to related party transactions and balances disclosed elsewhere in the consolidated financial statements, the company undertook the following transactions with the Pacific Place Group and with companies having a common director with CPGI. Transactions with related parties are recorded at amounts negotiated between the parties.

Notes to Consolidated Financial Statements *(continued)*

27. **Related party transactions** *(continued)*

	1999	1998
Non-market housing purchased	$ –	$ 4,917
Project management charges paid	$ 1,244	$ 1,409
Sales of residential condominiums	$ 48,691	$ 60,378
Remuneration expenses recovered by the company	$ 1,703	$ 323
Interest income	$ 201	$ –

The company facilitates the sale of condominium units to third party purchasers in Asia using services provided by a related party, Foregrand Properties Ltd. ("Foregrand"). Foregrand is related to the company through a common director. Foregrand purchases condominium units from the company which were pre-sold to third parties resident in Asia. Legal title of the units is transferred to the Asian purchasers immediately after the completion of the sale between the company and Foregrand. Total sales of condominiums reported as related party transactions reflect the purchase prices recorded by the company for the sales to Foregrand. The purchase prices are established at fair market value, net of a 5% fee paid to Foregrand to cover the costs of marketing the units in Asia. In 1998, Asian sales were made using the marketing services of Eastern Dragon Limited, which was related through a common director.

Remuneration expenses include an amount recovered from the parent company in 1998 of $311. There were no recoveries from the parent company in 1999.

28. **Information about geographic operating areas**
The company is based in Vancouver, but is currently developing properties in both the downtown Vancouver and downtown Toronto areas. The following tables detail specific information regarding the company's two main operating segments:

			1999
	Vancouver	Toronto	Total
Revenues	$ 139,331	$ 8	$ 139,339
Net income (loss)	12,994	(130)	12,864
Capital assets	1,329	3,252	4,581
Total assets (excludes intercompany balances of $32,184)	$ 122,356	$ 79,684	$ 202,040

			1998
	Vancouver	Toronto	Total
Revenues	$ 138,622	$ –	$ 138,622
Loss	(16,575)	(120)	(16,695)
Capital assets	1,759	312	2,071
Total assets (excludes intercompany balances of $9,554)	$ 180,645	$ 25,606	$ 206,251

29. **Uncertainty due to the Year 2000 Issue**
The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the company, including those related to customers, suppliers, or other third parties, have been fully resolved.

Directors and Officers

Directors

Terence Hui
Vancouver, British Columbia
President and Chief Executive Officer,
Concord Pacific Group Inc.

David G.A. McLean [1 & 2]
Vancouver, British Columbia
Chairman and Chief Executive Officer,
McLean Group of Companies

Jon Markoulis [1]
Nassau, Bahamas
President, The Grand Bahamas Development Co.

Cedric Ritchie [1]
Toronto, Ontario
Corporate Director

Frank Sixt [2]
Hong Kong, China
Group Finance Director,
Hutchison Whampoa Limited

David Smith [1]
Toronto, Ontario
Chairman, Fraser Milner

(1) Member of the Audit and Corporate Governance Committee
(2) Member of the Human Resources Committee

Officers

David G.A. McLean
Chairman

Terence Hui
President and Chief Executive Officer

Henry Man
Executive Vice-President

Mitchell Gropper, Q.C.
Corporate Secretary

Daniel Ulinder
Senior Vice-President, Sales and Marketing

Peter Wong
Senior Vice-President, Development

Dennis Au-Yeung
Vice-President, Finance

Blair Hagkull
Vice-President, Corporate Relations

David Negrin
Vice-President, Development and Design

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Share Listing
Toronto Stock Exchange
Vancouver Stock Exchange
Symbol: CPN

Shareholders are invited to attend the Annual General Meeting to take place on June 8, 2000 at 10:30 am at the Hotel Vancouver in Vancouver, British Columbia.

CONCORD PACIFIC

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